

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE FILING BY AVISTA
CORPORATION DBA AVISTA UTILITIES OF
ITS 2003 NATURAL GAS INTEGRATED
RESOURCE PLAN (IRP).**

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) **CASE NO. AVU-G-03-2**
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) **NOTICE OF FILING**
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) **NOTICE OF COMMENT**
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) **DEADLINE**
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YOU ARE HEREBY NOTIFIED that on December 30, 2003, Avista Corporation, dba Avista Utilities (Avista; Company) filed its year 2003 natural gas Integrated Resource Plan (IRP) with the Idaho Public Utilities Commission (Commission). The Company's filing complies with the Commission's direction in Order No. 25342, Case No. GNR-G-93-2 (reference PURPA Section 303(b)(3), Energy Policy Act of 1992). Pursuant to the Commission's Order, the Company is required to file every two years.

Integrated Resource Planning, the Company states, is a comprehensive, long-range planning tool that fully integrates forecasted energy requirements with potential energy resources. The process determines the most cost-effective means for the Company to meet projected firm load requirements.

The Company's Integrated Resource Plan is presented in a combined format to provide the reader with an overall view of the Company's total natural gas operations and planning processes. In addition to Idaho, the Company's IRP is filed with the regulatory authorities in Washington and Oregon. Avista Utilities prepares its natural gas forecasts concurrently with its electric operations forecast where electricity and natural gas are both provided to customers, thus utilizing common assumptions for both energy products.

Avista's 2003 natural gas IRP addresses the following subject areas: natural gas sales forecast, demand side management, supply side resources, distribution planning, integrated resource portfolio, public involvement and action plan.

Avista's gas and electric energy efficiency activities in Idaho and Washington have been funded under a Tariff Rider mechanism since 1995. This allows for the funding of energy efficiency activities without creating a regulatory asset. The gas Tariff Rider is currently set at 0.5%. This funding mechanism yields approximately \$1 million in annual revenues. The four

year (2002-2005 inclusive) business plan calls for combined gas and electric DSM expenditures to be limited to approximately 62% of Tariff Rider revenues.

Electric and gas DSM programs are subdivided into three portfolios: non-residential, residential and limited income. Within the non-residential portfolio there is a heavy reliance upon site specific calculations of energy savings. Residential segment gas DSM is composed of prescriptive programs. Prescriptive residential gas efficiency programs for programmable thermostats, high-efficiency gas furnaces, high-efficiency gas water heating and weatherization (duct, floor, wall, ceiling and attic) are currently available. Qualified limited income customers are eligible for incentives implemented through five separate community action program (CAP) agencies within the Avista service territories.

The supply options of Avista's integrated resource portfolio consist of various components. These include firm and non-firm supplies contracted for on a long-term and short-term basis, firm and interruptible transportation on seven interstate pipelines, and three storage services. A diversity of delivery points and load requirements adds to the options available to meet customer needs. The utilization of these components varies depending on demand and operating conditions.

The Company notes that it entered into an agreement with Avista Energy in 1999 to have Avista Energy manage all the supply and transportation needs of Avista Utilities (except California). The pricing and sharing structures vary between the states. The current mechanism is approved in Oregon and Idaho until March 31, 2005 and until January 29, 2004, in Washington. At the time of its IRP filing, Avista was awaiting the WUTC Order to determine the future status of the "benchmarking" mechanism.

In 2000, the industry experienced the highest prices ever seen. In response, Avista Utilities, through Avista Energy, has established a schedule to lock-in hedges and volumes for price stability. The hedging schedule provides for both structure and flexibility for both timing and volumes. Avista has established a base line that approximately 50% of annual monthly loads will be hedged prior to entering into the heating season, that being November 15, with fixed priced natural gas.

The Company in its resource management activities also considers other potential resources. These potential resources include those requiring physical assets and those dependent upon contractual or financial arrangements, e.g., Jackson Prairie Storage Project; pipeline capacity; capacity release; additional storage facilities. The Company holds several long-term

contracts for supplies from three separate supply basins. These supplies are for annual and seasonal core customer needs. The Company does not make long-term firm commitments to serve interruptible customers.

Avista contends that its firm and interruptible transportation contracts provide the Company with sufficient available capacity to meet current and future core load demands. Based on the current forecast, the Company's north operating division (Washington and Idaho) will need to acquire additional transportation by the 2007/2008 heating season. As reflected in its filing, the Company's strategy is to contract for a reasonable amount of transportation to serve firm customers should a designed peak day occur in a seven- to ten-year period. Too much firm transportation could keep the Company from achieving its goal of being a low-cost energy provider. The ability to release capacity, however, acts to offset the cost of holding under-utilized capacity. Too little firm transportation impairs the Company's goal of being a reliable energy provider.

Avista's analysis and selection of resource options in the context of the IRP for its natural gas operations as well as the resulting strategies employed to develop an Integrated Resource Plan are comprised of:

- Resource options summary
- Gas resource model
- Analysis framework
- Weather data
- Avoided cost
- Environmental externalities
- Portfolio integration

The foundation for the selection of resources for the Company's integrated resource portfolio is the annual and peak day load forecast requirements.

The objective of Avista's 2003 Action Plan is to continue to further integrate the objectives of integrated resource planning and least cost planning into the Company's daily operations. The 2003 Action Plan is focused on six key areas: sales forecasting; modeling/forecasting; supply/capacity; DSM; distribution planning and public involvement.

YOU ARE FURTHER NOTIFIED that the Commission has reviewed the Company's filing in Case No. AVU-G-03-2 and finds it reasonable to establish the following schedule for comment on Avista's 2003 Natural Gas Integrated Resource Plan:

Friday, June 25, 2004 Deadline for filing written comments

YOU ARE FURTHER NOTIFIED that the Application and submitted documents are available for public inspection during regular business hours at the Commission's office and at the Idaho Offices of Avista Corporation dba Avista Utilities, or they may be viewed electronically at www.puc.state.id.us by clicking on "File Room" and "Gas Cases." Written comments concerning this Application and the Company's filing should be mailed to the Commission and the Company at the addresses reflected below:

COMMISSION SECRETARY
IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074

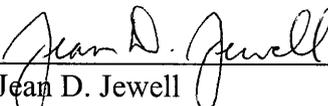
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All comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at www.puc.state.id.us. Click the "Comments and Questions" icon, and complete the comment form, using the case number as it appears on the front of this document. These comments must also be sent to the Applicant at the e-mail address listed above.

DATED at Boise, Idaho this 4th day of June 2004.



Jean D. Jewell
Commission Secretary

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